



Patrick W. Henning, Director

August 19, 2008

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Arnold Schwarzenegger  
Governor

Mr. Fred Slone, Manager  
Workforce Investment Board of the County of San Mateo  
400 Harbor Boulevard, Bldg. B  
Belmont, CA 94002

Dear Mr. Slone:

WORKFORCE INVESTMENT ACT  
FISCAL AND PROCUREMENT REVIEW  
FINAL MONITORING REPORT  
PROGRAM YEAR 2007-08

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the Workforce Investment Board of the County of San Mateo's (WIBCSM) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Ms. Carol Hammond and Mr. Jim Tremblay from March 17, 2008 through March 21, 2008. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by WIBCSM with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2007-08.

We collected the information for this report through interviews with representatives of WIBCSM, a review of applicable policies and procedures, and a review of documentation retained by WIBCSM for a sample of expenditures and procurements for PY 2007-08.

We received your response to our draft report on July 7, 2008, and reviewed your comments and documentation before finalizing this report. Because your response did not adequately address findings 1 and 2 cited in the draft report, we consider these findings unresolved. We request that WIBSM provide the Compliance Review Division

(CRD) with a corrective action plan (CAP) to resolve the issues that led to the findings. Until then, these findings remain open and have been assigned Corrective Tracking System (CATS) numbers 80114 and 80115.

### **BACKGROUND**

The WIBCSM was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, WIBCSM was allocated: \$939,753 to serve 160 adult participants; \$924,707 to serve 220 youth participants; and \$1,250,889 to serve 290 dislocated worker participants.

For the quarter ending December 31, 2007, WIBCSM reported the following expenditures and enrollments for its WIA programs: \$339,363 to serve 188 adult participants; \$0 of the R865488 grant and \$1,006,878 of the R760352 grant to serve 172 youth participants; and \$393,287 to serve 223 dislocated worker participants.

### **FISCAL REVIEW RESULTS**

While we conclude that, overall, WIBCSM is meeting applicable WIA requirements concerning financial management, we noted an instance of noncompliance in the area of accruals. The finding that we identified in this area, our recommendation, and WIBCSM proposed resolution of the finding is specified below.

### **FINDING 1**

**Requirement:** 20 CFR Section 667.300(c)(3) states, in part, that reported expenditures must be on the accrual basis of accounting.

WIA Directive WIAD05-14 states, in part, that all WIA recipients are required to use the accrual system of accounting and submit a Summary of WIA Expenditures Report on a quarterly basis. Accrued expenditures are defined as "the charges incurred and recorded, but not yet paid for, during a report period requiring the provision of funds by the grantee or subgrantee for (1) goods and other tangible property received, (2) services performed by employees, contractors, subgrantees, subcontractors, and other payees, and (3) other amounts becoming owed under programs for which no current services or performance is required, such as annuities, insurance claims, and other benefit payments."

**Observation:** The WIBCSM reports accruals for contract payments, individual training accounts, and vendor invoices quarterly, but does not report quarterly salary accruals in the Job Training Automation

system. Instead, WIBCSM reports salary accruals at the end of the Program Year. This issue was also observed during the PY 2006-07 Fiscal and Procurement review.

**Recommendation:** We recommended that WIBCSM provide the CRD with a CAP, including a timeline, to report salary accruals on a quarterly basis.

**WIBCSM Response:** The WIBCSM stated that they acknowledge the State's position. However, based on the cash reporting requirements of the quarterly County Expense Claim utilized by their agency to determine the costs of all employment services programs, WIBCSM will not be able to concur or comply with reporting salary accruals on a quarterly basis.

**State Conclusion:** Based on WIBCSM's response, we cannot resolve this issue at this time. 20 CFR Section 667.300(c)(3) requires that reported expenditures must be made on the accrual basis of accounting. The regulations also state that if a recipient's accounting records are not normally kept on the accrual basis of accounting, then it must develop accrual information through an analysis of the documentation on hand. We see no conflict with the use of the federally approved CEC system to allocate WIA costs. However, as stated above, federal regulations governing WIA programs require that expenditures be reported using the accrual basis of reporting. Reporting on a cash basis does not include costs incurred but not paid by end of the quarter. As a result, WIBCSM is under-reporting on its quarterly expenditure reports. This was also a finding for PY 2006-07 Fiscal and Procurement Review.

We again recommend that WIBCSM provide CRD with a CAP, including a timeline, to report salary accruals quarterly. We also recommend that WIBCSM contact its Regional Advisor for assistance. Until then, this issue remains open and has been assigned CATS number 80115.

## **PROCUREMENT REVIEW RESULTS**

While we concluded that, overall, WIBCSM is meeting applicable WIA requirements concerning procurement, we noted an instance of noncompliance in the area of contract provisions. The finding that we identified in this area, our recommendation, and WIBCSM's proposed resolution of the finding is specified below.

## **FINDING 2**

**Requirement:** 29 CFR Section 97.36(i)(3) states, in part, that grantee and subgrantee contracts must contain the provision that it will be in compliance with Executive Order (EO) 11246 of September 24, 1965, entitled Equal Employment Opportunity (EEO), as amended by EO 11375 of October 13, 1967, and as supplemented in Department of Labor regulations (41 CFR chapter 60).

**Observation:** We reviewed contracts of WIBCSM's PY 07-08 subrecipient and found that although the contracts contained an EEO provision, that provision does not include references to EO 11246 or 11375. This issue was also observed during the PY 2006-07 Fiscal and Procurement review.

**Recommendation:** We recommended that WIBCSM provide CRD with a CAP, including a timeline, to update its subrecipient contract provisions to include references to EO 11246 and 11375.

**WIBCSM Response:** The WIBCSM stated that their current contract language already requires vendors to comply with local, state and federal regulations and executive orders. Additionally, they stated that they will modify their contract template, specifically, the Employment and Training Administration WIA Program Requirements General Provisions documented to add "Executive Order", in section 1, "Compliance " in Section 19. Finally, they stated that a letter will be sent to all current contractors to specifically remind them of their obligation to comply with EO 11246 and 11375. The WIBCSM stated that they feel the actions described above adequately address grantee and subgrantee compliance with EO 11246 and 11375. Therefore, they will not include a specific reference to the missing EO 11246 and 11375 in their contract language.

**State Conclusion:** Based on WIBCSM's response, we cannot resolve this issue at this time. As stated above, 29 CFR Section 97.36(i)(3) requires that grantee and subgrantee contracts contain the provision regarding compliance with the Executive Orders. Therefore, we, again, recommend that WIBCSM provide CRD with a CAP, including a timeline, to update its subrecipient contract provisions to include references to EOs 11246 and 11375. Until then, this finding remains open and is assigned CATS number 80115.

Mr. Fred Slone

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August 19, 2008

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Division your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than September 17, 2008. Please submit your response to the following address:

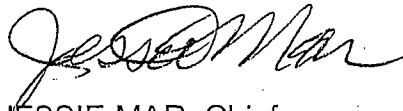
Compliance Monitoring Section  
Compliance Review Division  
722 Capitol Mall, MIC 22M  
P.O. Box 826880  
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is WIBCSM's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain WIBCSM's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mr. Jim Tremblay at (916) 654-7825 or Ms. Carol Hammond at (916) 653-6633.

Sincerely,



JESSIE MAR, Chief  
Compliance Monitoring Section  
Compliance Review Division

cc: Shelly Green, MIC 45  
Jose Luis Marquez, MIC 50  
Dathan O. Moore, MIC 50  
Linda Palmquist, MIC 50